

Internal Revenue Service, Treasury

§ 1.481-4

INCREASE IN TAX ATTRIBUTABLE TO INCLUSION IN
1958 OF THE ENTIRE \$10,000 ADJUSTMENT

Tax on income of 1958 increased by entire amount of adjustment (\$100,000+\$10,000)	\$51,700
Tax on income of 1958 without adjustment (\$100,000)	46,500

INCREASE IN TAX ATTRIBUTABLE TO INCLUSION IN
1958 OF THE ENTIRE \$10,000 ADJUSTMENT—
Continued

Increase in tax attributable to inclusion of entire adjustment in year of the change	5,200
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Increase in tax attributed to adjustment computed under section 481(b)(1)

Year	Amount of adjustment	Tax before adjustment	Tax after adjustment	Increase in tax liability attributable to adjustment
1958	\$3,334	\$46,500	\$48,234	\$1,734
1957	3,333	41,300	43,033	1,733
1956	3,333	36,100	37,833	1,733
Increase in tax attributable to adjustment computed under section 481(b)(1)				5,200

Increase in tax attributed to adjustment computed under section 481(b)(2)

1953	¹ \$2,000	0	¹ \$600	\$600
1954	¹ 3,000	\$300	¹ 1,200	900
1955	6,000	0	300	300
1956	(3,000)	36,100	34,540	(1,560)
1957	96,000	41,300	44,420	3,120
1958	² 1,000	46,500	² 47,020	520
Increase in tax attributable to the adjustment computed under section 481(b)(2)				3,880

¹ Attributable to recomputations of net operating loss carrybacks determined with reference to net operating loss in 1955.

² Attributable to the inclusion of \$1,000 in the year of the change which represents the portion of the \$10,000 adjustment not allocated to taxable years prior to the year of the change for which taxable income is established under the new method.

Since the limitation under section 481(b)(2) (\$3,880) on the amount of tax attributable to the adjustments is applicable, the final tax for the taxable year of the change is computed by adding such amount to the tax for that year computed without the inclusion of any amount attributable to the adjustments, that is, \$46,500 plus \$3,880, or \$50,380.

[T.D. 6500, 25 FR 11732, Nov. 26, 1960, as amended by T.D. 6490, 25 FR 8374, Sept. 1, 1960; T.D. 7301, 39 FR 963, Jan. 4, 1974; T.D. 8608, 60 FR 40078, Aug. 7, 1995]

§ 1.481-3 Adjustments attributable to pre-1954 years where change was not initiated by taxpayer.

If the adjustments required by section 481(a) and § 1.481-1 are attributable to a change in method of accounting which was not initiated by the taxpayer, no portion of any adjustments which is attributable to pre-1954 years shall be taken into account in computing taxable income. For example, if the total adjustments in the case of a change in method of accounting which is not initiated by the taxpayer amount to \$10,000, of which \$4,000 is attributable to pre-1954 years, only \$6,000

of the \$10,000 total adjustments is required to be taken into account under section 481 in computing taxable income. The portion of the adjustments which is attributable to pre-1954 years is the net amount of the adjustments which would have been required if the taxpayer had changed his method of accounting in his first taxable year which began after December 31, 1953, and ended after August 16, 1954.

[T.D. 6500, 25 FR 11735, Nov. 26, 1960, as amended by T.D. 8608, 60 FR 40079, Aug. 7, 1995]

§ 1.481-4 Adjustments taken into account with consent.

(a) In addition to the terms and conditions prescribed by the Commissioner under § 1.446-1(e)(3) for effecting a change in method of accounting, including the taxable year or years in which the amount of the adjustments required by section 481(a) is to be taken into account, or the methods of allocation described in section 481(b), a taxpayer may request approval of an alternative method of allocating the